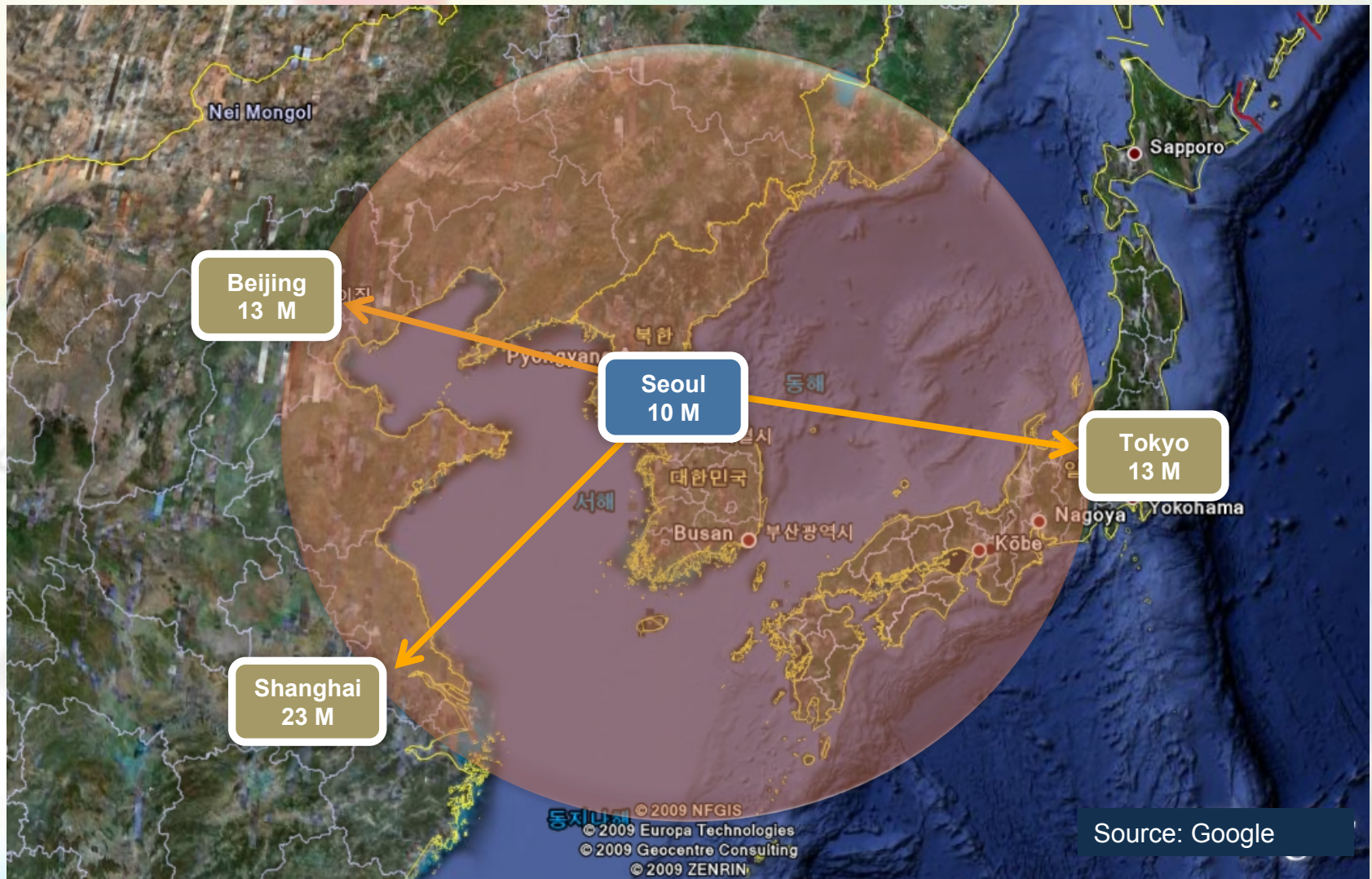


FASHIO-NATE KOREA

(Fashionable + Passionate)



CENTER OF N. E. ASIA



Source: Google

SEOUL = TRI-STATES



Area: **38,321 sq mi** \approx Indiana 38,691

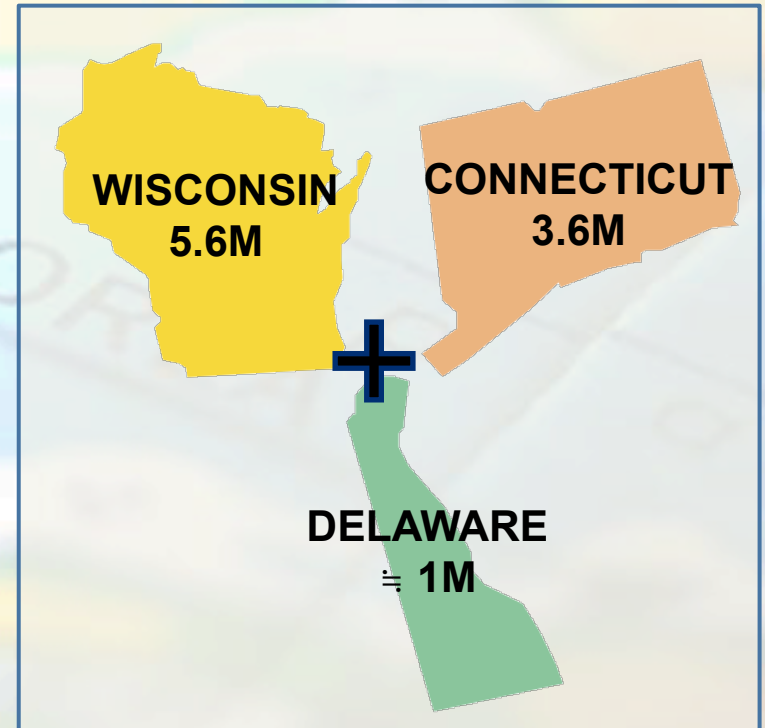
GDP (nominal): **\$1.4 trillion** (as of Dec 2015), PPP **\$35,400**

Population: **50 million**

(Seoul: 10 million - total of Wisconsin, Connecticut and Delaware)



\approx



ADVANCEMENT



1960's

1980's

2000's

2010's

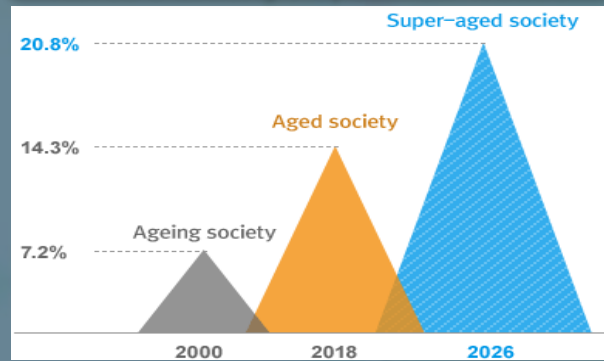


Modern South Korea experienced a century of development within a decade

DEMOGRAPHICS



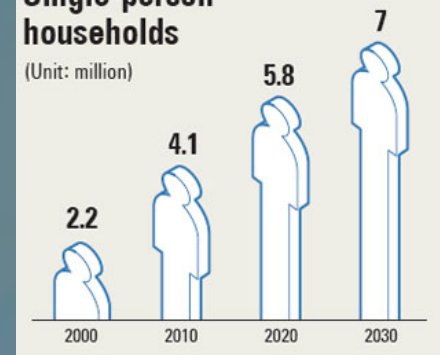
Korea's Elderly Population Trends



Ageing Society

Single-person households

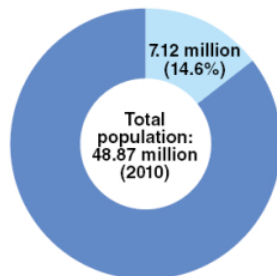
(Unit: million)



Single Family

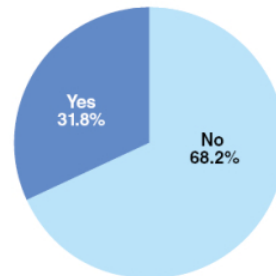
Number of baby boomers

(Born between 1955-1963)



Source: Statistics Korea

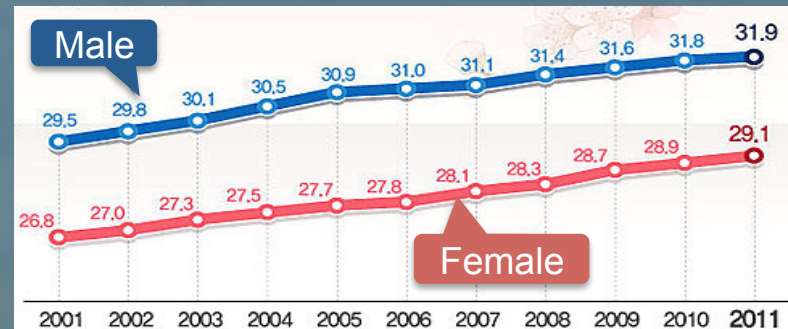
Are you prepared for old-age?



Source: NPS survey of people aged 50 or above in 2009

Retirement of Baby Boomers

Korean's Average Age at First Marriage

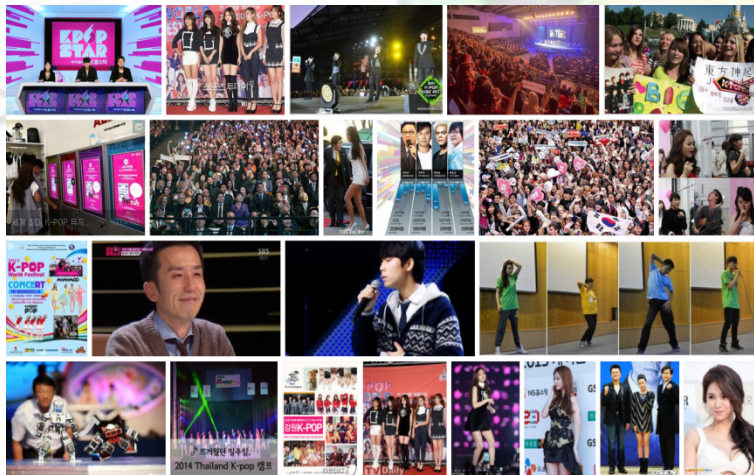


Late Marriage & Working Women

K-POP;K-DRAMA;K-MED



Medical Tourism



OPPORTUNITIES



Market Size for Leading Industry Sectors:

Unit: US\$ Billion

	Leading Sectors for U.S. Exports & Investment	2013	2014	2015
1	Aerospace Industry	5.8	6.4	6.4*
2	Cosmetics	7.0	7.8	-
3	Defense Industry Equipment	13.1	16.2*	11.5**
4	E-Commerce	32.2	36.3	40.3
5	Education Services	42.4	41.3*	36.3*
6	Energy: New and Renewable (NRE)	5.4	5.8*	6.6*
7	Entertainment and Media	3.0	3.1	3.1*
8	Environmental	92.3*	112.1*	140.2*
9	Medical Equipment and Devices	4.2	4.9	5.3*
10	Semiconductors	39.7	42.2	42.5*
11	Travel and Tourism (Korean Travelers)	15 M	16 M	17 M



Source: 2015 Country Commercial Guide for U.S. Companies, U.S. Commercial Service Korea, 2015
E-Commerce: eMarketer

*= Estimated
**= Projected

TOP 6 PROMISINGS



1. Healthcare

Pharmaceuticals
Biotechnology
Medical Device
Healthcare IT



2. E-Commerce

Online Shopping
Direct Purchase
Product Categories



3. ICT

IoT
O2O



4. Defense

Aerospace
Naval Vessels
Communications &
Electronics



5. Agriculture & Food

Korea Food Market
Import Trend



6. Travel & Leisure

Visitor Arrivals
Departure Koreans

1. HEALTHCARE



Major Industry sectors:



Pharmaceuticals & Biotechnology

- ❖ Market size: \$3 billion in 2013 projected to \$5 billion by 2020
- ❖ Import \$1.4 billion in 2014



Medical Devices & Equipment

- ❖ Market size: \$5.7 billion in 2016 est.
- ❖ (\$4.9 billion in 2014, \$5.3 billion in 2015)
- ❖ Out of \$3.3 billion imports in 2016, **\$1.4 billion from U.S**



Smart Healthcare

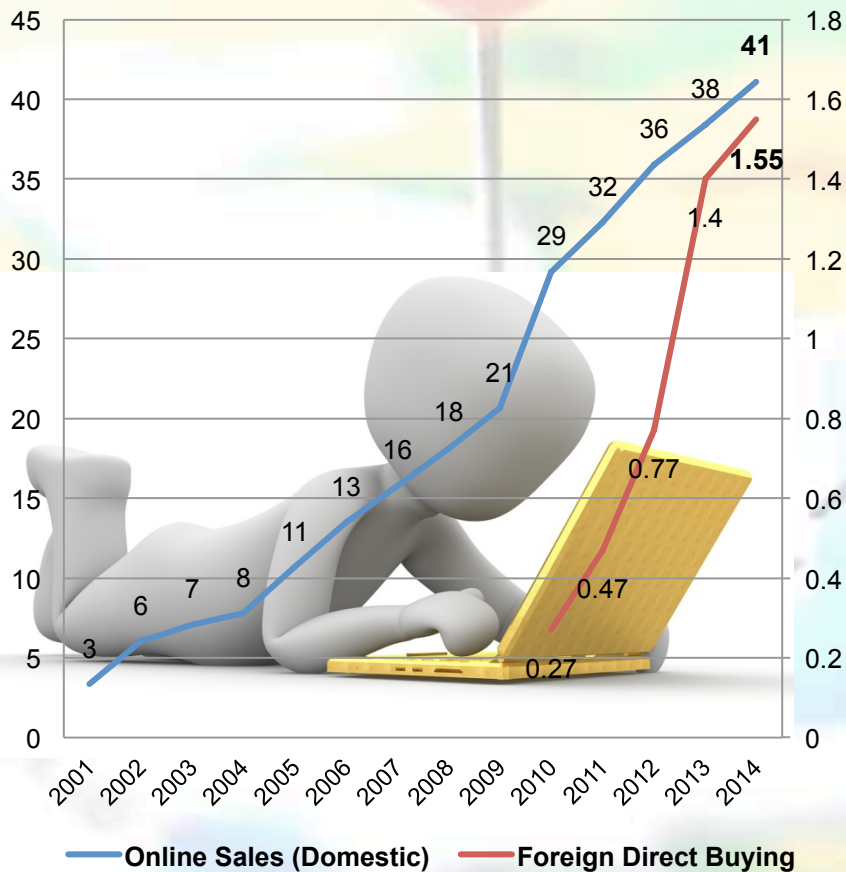
- ❖ Integration of IT with healthcare
- ❖ Market size: \$0.3 billion in 2013 projected to \$1 billion by 2020

2. E-COMMERCE



Online Sales

Unit: \$ Billion/ %



Top 10 Online Sales Product Categories:

Rank	Product Categories	Portion (%)
1	Travel & Booking Services	18.6
2	Home Electric Appliances & Communication	11.8
3	Clothing, Footwear & Accessories	10.2
4	Car & Household Accessories	10.2
5	Food & Groceries	9.2
6	Cosmetics	7.9
7	Computer & Computer Equipment	5.9
8	Baby & Children Goods	4.4
9	Sports & Leisure Equipment	4.2
10	Other services	4.2

Source: eMarketer 2015 Data

- ❖ Market exceeded \$41 billion in 2014
- ❖ Online transaction took up 11% of whole consumption market in 2015 (9.8% in 2014)

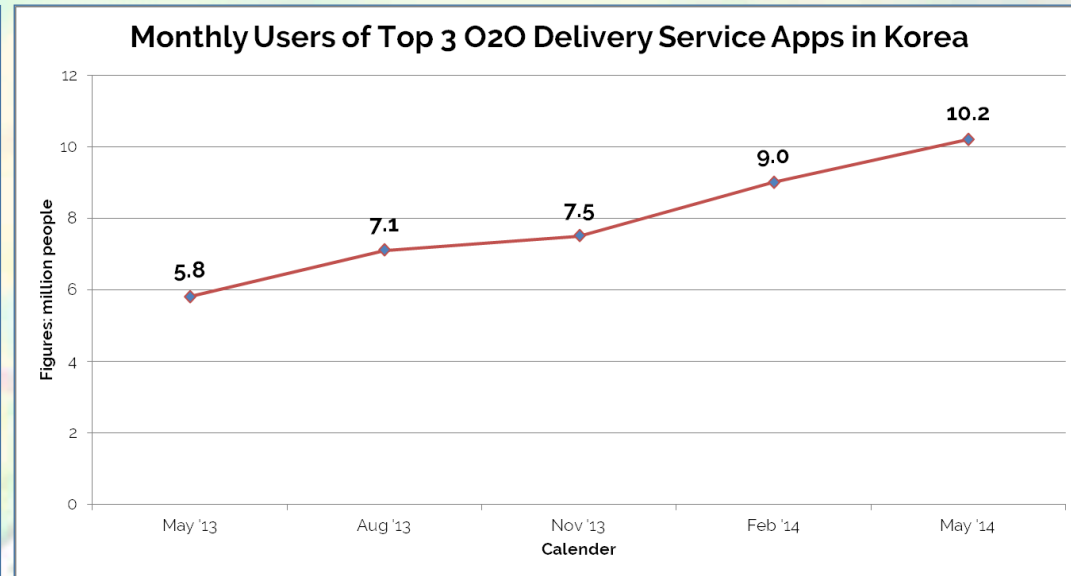
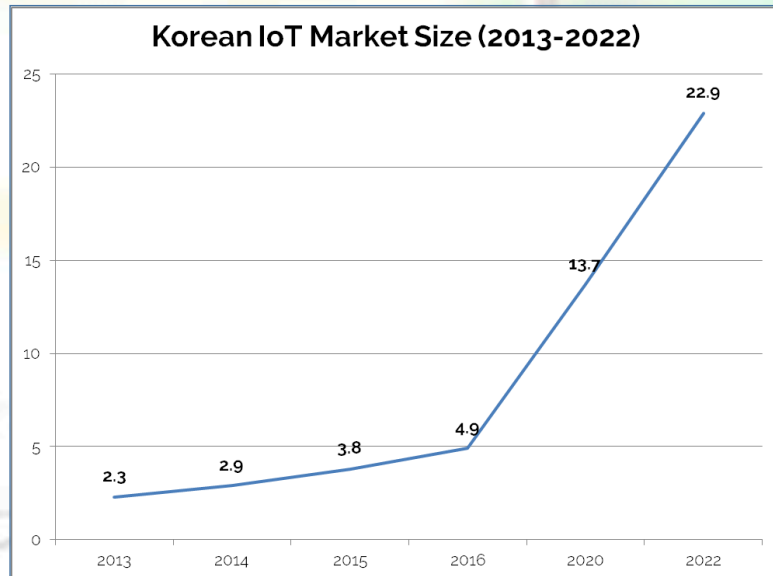
Source: Statistic Korea (<http://kostat.go.kr/portal/english/index.action>) for Domestic Online Shopping Data
Korea Customs Service (<http://www.customs.go.kr/kcshome/site/index.do?layoutSiteId=english>) for Foreign Direct Buying)

*Note1. Figure includes not only food sales but also other grocery products.

3. ICT; IoT; O2O



“Seoul has the fastest internet access among 7 other cities including NYC, London etc., with 74.4 mbps” - RootMetrics, 23/08/2016



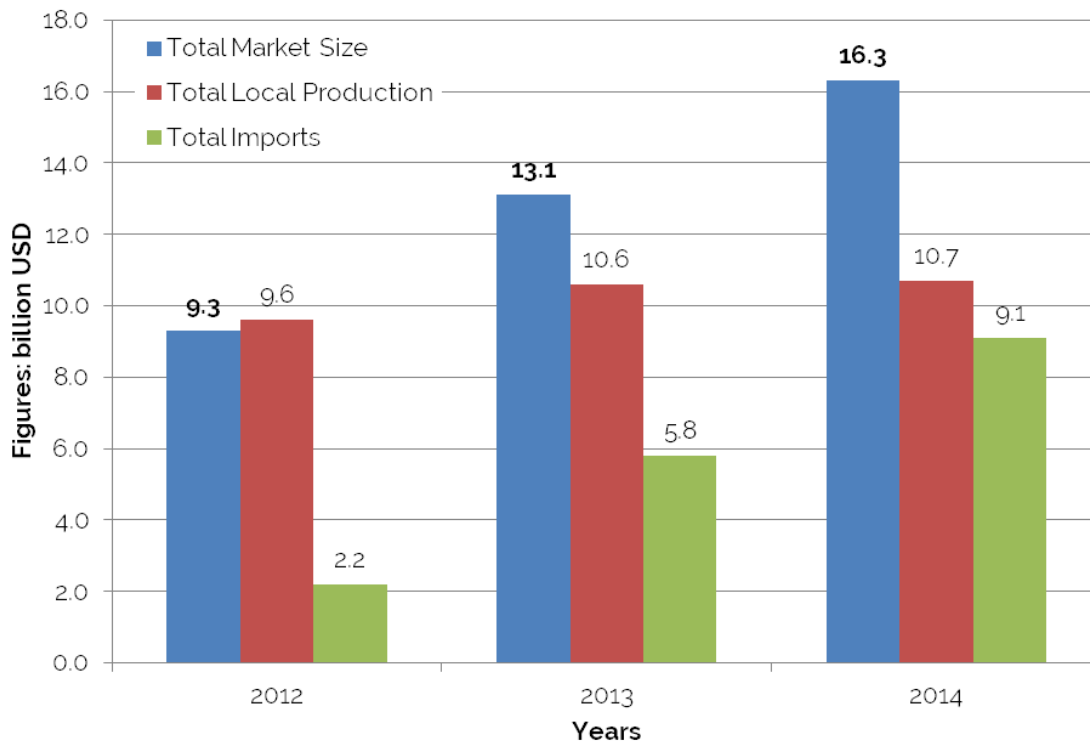
- ❖ ICT production projected to grow by an annual average of **3.1% to \$511.4 billion in 2020**
- ❖ Online to Offline (O2O) – linking online malls to offline distributors (purchase convenience↑)
 - Market size: \$15 billion est. in 2015, projected to \$300 billion in future
 - Korea's Representative service: The Delivery Service Apps
- ❖ But, 86.1% population – skeptical of **security** issues



4. DEFENSE



Korean Defense Market (2012-2015)



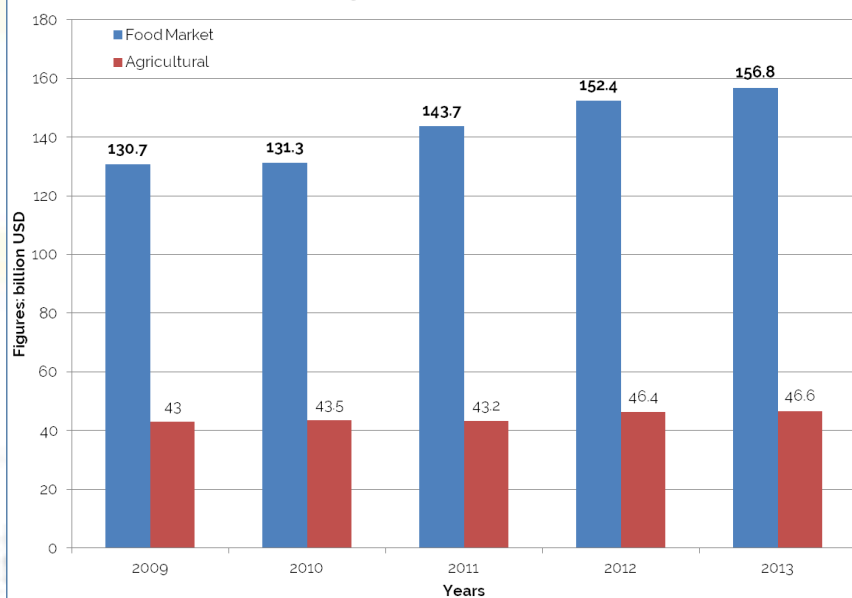
- ❖ **Top 3 Potential Defense Sectors:**
 1. **Aerospace:** general aviation aircraft
 2. **Naval Vessels:** submarines and various vessels
 3. **Communication and Electronics:** defense items or systems used for surveillance, communication

- ❖ World's 6th largest military, 7th largest defense importing country
- ❖ U.S. provided \$1,9 billion weapon systems in 2012 – 87% of Korea's total defense imports
- ❖ Out of \$6.3 billion imports, \$5 billion from U.S in 2013 – 80% of Korea's total defense imports

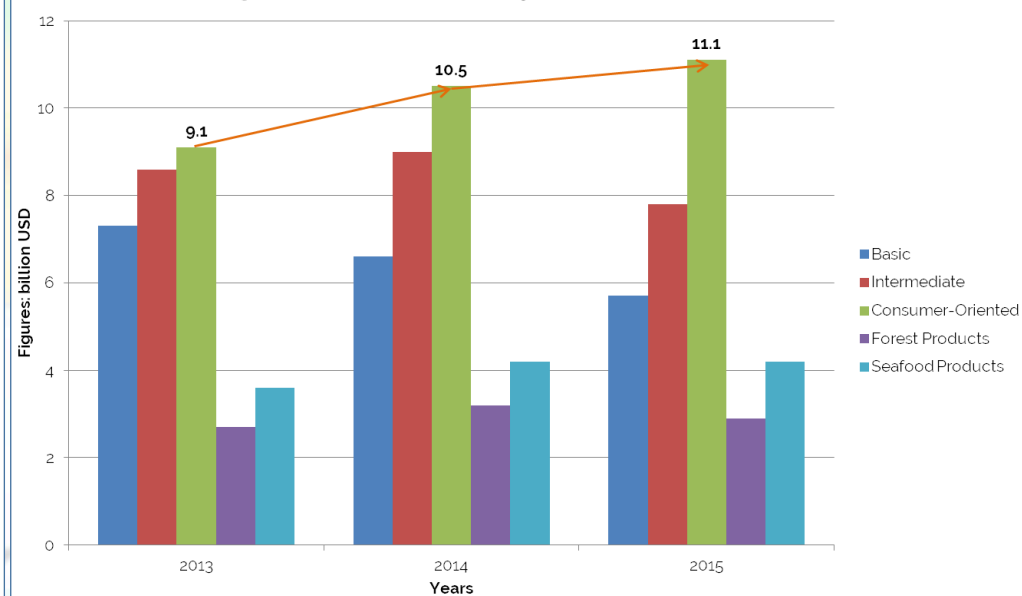
5. AG. & FOODS



Korean Food and Agriculture Market Size (2009-2013)



Agricultural Imports by Sectors (2013-2015)



❖ Korean Food Industry Sales revenue: **\$163 billion in 2014**

▪ 78.2% ↑ from \$91.9 billion 10 years ago in 2004

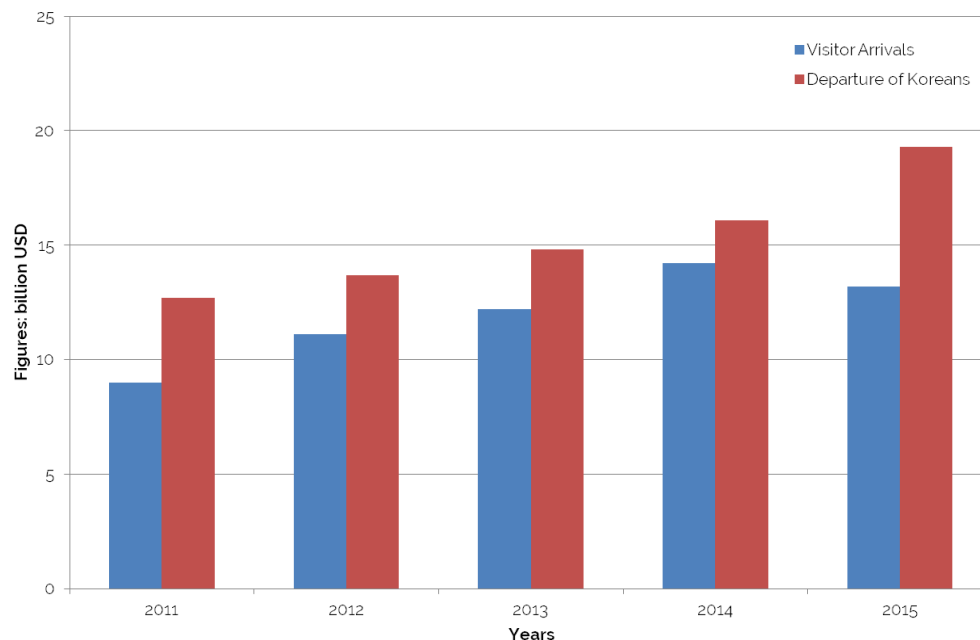
❖ Korean HMR Market Sales revenue: \$1.3 billion in 2014, \$1.5 billion in 2015, \$2 billion expected in 2016

6. TRAVEL & LEISURE



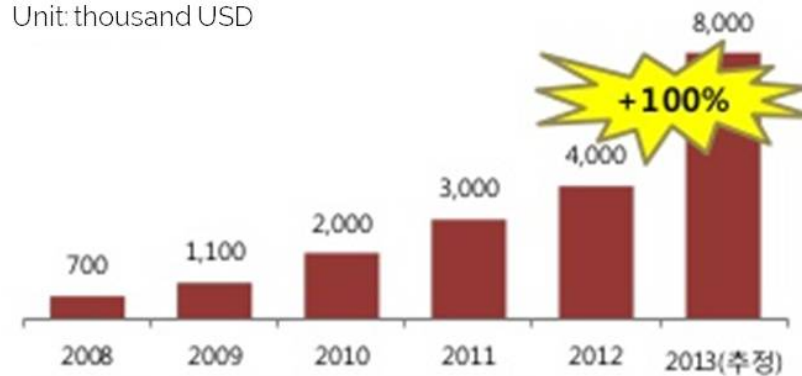
- ❖ Domestic leisure market: \$28 billion in 2001 increased to \$45 billion in 2010, 60% increase in a decade – continuous growth expected
- ❖ Latest Data (June, 2016):
 - 1.5 million visitor arrivals – 107% increase from previous yr
 - 1.7 million departure of Koreans – 29.5% increase from previous yr

Visitor Arrivals and Departure of Koreans Trends (2011-2015)



Camping Market Size

Unit: thousand USD



Source: Camping Outdoor (2008 – 2012), Blackyak (2013)

- ❖ Prospected camping market size in 2013: \$600 million to \$800 million
- ❖ 10 times growth within past 5 yrs

Understanding Business Practices



1. Face – Saving (體面)

“chae-myun” = face-saving

keeping one's honor, pride and dignity

South Koreans are very cautious in saving face of others as well as their own

Failure to maintain “chae-myun” may be fatal to business relationship

- ✓ Respect and acknowledge one's age, social standing and reputation
- ✓ Talk around the circle. Avoid being too upfront or “brutally honest”
- ✓ Allow some time for “face building” before getting down to business



2. Making Impressions to be Impressive

Making a **good first impression** on your first meeting with South Koreans is **simple** but **critical**

- ✓ Wear appropriate business attire
- ✓ Carry business cards at all times
- ✓ Two-handed shake
- ✓ Do not cross arms or lean back
- ✓ No memo on business card in front of person
- ✓ **No red** ink on person's name
- ✓ Lucky Number: 3, 7, 9



3. 'NO' = or ≠ 'NO'

In the U.S...

'No' mostly, if not always, means 'No'

In South Korea.....

'No' may or may NOT mean 'No'

When offered something to eat, drink or accept as a gift, Koreans usually refuse at first out of courtesy

- ✓ It is natural to ask two or three times
- ✓ Do present your offer, if unsure
- ✓ Likewise, politely refuse a gift at first but eventually accept with two hands



4. South Korea in the Fast Lane

Modern South Korea experienced
a century of development within a decade

Low birth rate + aging population

→ one- and two-person household over 50%

- ✓ COMPACT and CONVENIENT vs big and bulky
- ✓ Products preferred in small portions, in delicate packaging
- ✓ Quality of content comes before quantity

South Korean consumers are exposed to a wide variety of choices from all around the world

- ✓ 'Made in USA' or 'Success in USA' no longer guarantee success in South Korea as market condition and consumer needs vary
- ✓ Study the local market first, strategize entry approach and position products accordingly



5. Contracts: Fixed vs Flexible

Contracts are considered...

In the U.S.: '**Final step** of an agreement'

◇ → Terms and conditions are **fixed**

In Korea: '**Starting point** of an agreement'

◇ → Terms and conditions can be **modified**

- ✓ Trust & credibility > a legal binding
- ✓ Requests for change are generally understood and accepted in business environment
- ✓ Leave a margin for renegotiation and be flexible with contract terms



SUGGESTIONS

- ✓ Understand the specific market features
- ✓ Local presence is essential – agent, distributor, branch sales office, etc.
- ✓ Business relations are built on personal ties
- ✓ Country visit strongly recommended
- ✓ Less aggressive, better results
- ✓ “Go & Check-Out Our Website” doesn’t work
- ✓ Wrap-up note after your meetings



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